

BANK INDONESIA REGULATION

NUMBER : 7/38/PBI/2005

CONCERNING

AMENDMENT ON

BANK INDONESIA REGULATION NUMBER 6/9/PBI/2004

CONCERNING

THE SUBSEQUENT ACTIONS FOR SUPERVISION AND
DESIGNATION OF BANK'S STATUS

THE GOVERNOR OF BANK INDONESIA,

Considering:

- a. that in order to adjust with Act concerning Deposit Insurance Company that regulate function of Deposit Insurance Company to implement the rescue and bank liquidation, it is deemed necessary to improve of mechanism for subsequent steps in supervise and designate bank's status;
- b. Whereas in connection with it, it is deemed necessary to amend Bank Indonesia Regulation Number 6/9/PBI/2004 concerning Subsequent Actions for Supervision and Designation of Bank's Status;

In view of:

1. Act Number 7 of 1992 concerning Banking (State Gazette Republic of Indonesia of Number 31 of 1992, Addendum to State Gazette Republic of Indonesia Number 3472) as amended by Act Number 10 of 1998 (State Gazette Republic of Indonesia of Number 182 of 1998 Addendum to State Gazette Republic of Indonesia Number 3790);
2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette Republic of Indonesia Number 66 of 1999, Addendum to State Gazette Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette Republic of Indonesia of Number 7 of 2004, Addendum to State Gazette Republic of Indonesia Number 4357);

HAS DECREED

Article I

Article 1

1. "Bank" is Commercial Bank as referred to in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, including branch office of foreign bank.
2. "Coordinating Committee" is Coordinating Committee as referred to in Act Number 24 of 2004 concerning Deposit Insurance Company.
3. Deposit Insurance Company is Deposit Insurance Company as referred to in Act Number 24 of 2004 concerning Deposit Insurance Company.

2. Provision of Article 7 paragraph (4) is deleted.
3. New provision is inserted between Article 8 and Article 9 dubbed Article 8A as follow:

Article 8A

- (1) Bank Indonesia shall notify the Deposit Insurance Company concerning Bank that is placed under special supervision as referred to in Article 5 paragraph (1).
 - (2) The notification to the Deposit Insurance Company as referred to in paragraph (1) is attached with documentation of condition of the referred Bank.
4. Provision of Article 9 is amended as follow:

Article 9

- (1) Bank Indonesia will announce Bank that is put under special supervision with:
 - a. Capital Adequacy Requirement (CAR) equal or less than 6%;
 - b. Capital Adequacy Requirement (CAR) more than 6% and less than 8% and have not propose capital restoration plan;
 - c. Capital Adequacy Requirement (CAR) more than 6% and less than 8% and have not implement the capital restoration plan;
 - d. Capital Adequacy Requirement (CAR) more than 6% and less than 8% and Bank Indonesia do not approve revised capital restoration plan; and/or
 - e. granted extension as referred to in Article 8 paragraph (2).
- (2) The Announcement as referred to in paragraph (1) includes announcement of restoration action that is mandatory for Bank as referred to in Article 5 and Article 7.
- (3) Bank Indonesia will also announce:
 - a. Bank as referred to in paragraph (1) letter a, letter b, letter c, and letter d which have execute action as referred to in Article

5 and Article 7; and/or

- b. Bank that passed extension as referred to in paragraph (1) letter e,

that fulfill the requirement of Capital Adequacy Requirement of 8% (eight percent) or more, and/or have the Minimum Statutory Reserves Requirement ratio in rupiah in accordance to ratio stipulated for Minimum Statutory Reserves Requirement for Bank or more.

- 5. Provision of Article 10 is amended as follow:

Article 10

Concerning the problem of Bank under special supervision status as referred to in Article 5 paragraph (1) is stipulated causing systemic impact, asides from Bank Indonesia announcement to Deposit Insurance Company as referred to in Article 8A, Bank Indonesia also request to Coordinating Committee to convene in order to decide whether referred Bank have systemic impact or not.

- 6. Provision of Article 11 is amended as follow:

Article 11

In the event that Coordinating Committee have stipulated Bank under special supervision status as referred to in Article 10 as Bank with systemic impact and Bank fulfill the following requirement:

- a. Extension as referred to in Article 8 have not been exceeded but Bank condition is descending rapidly; or
- b. Extension as referred to in Article 8 is exceeded, Capital Adequacy Requirement ratio is less than 8% (eight percent) and Bank condition is not improving; or
- c. Extension as referred to in Article 8 have not been exceeded but emergency financing facility disbursed to Bank has come to maturity and can not be repayed,

Bank Indonesia will request Coordinating Committee to convene in order to decide subsequent action of the referred Bank.

7. Provision of Article 12 is amended as follow:

Article 12

Bank or Bank shareholder as referred to in Article 11 is obligated to conduct action stipulated by the Coordinating Committee toward Bank problem.

8. Title of PART V is amended as follow:

PART V

BANK WITHOUT SYSTEMIC IMPACT

9. Provision of Article 13 is amended as follow:

Article 13

In the event that Bank under special supervision does not have systemic impact fulfill the following requirement:

- a. extension as referred to in Article 8 is not yet exceeded, but Bank condition is descending until:
 - 1) have a Minimum Statutory Reserves Requirement ratio of less than 2% (two percent) and is deemed unimprovable to 8% (eight percent); or
 - 2) have a Minimum Statutory Reserves Requirement ratio less than 0% (zero percent) and can not be settled according to applicable regulations; or
- b. extension as referred to in Article 8 is exceeded, Minimum Statutory Reserves Requirement ratio of 8% (eight percent) and bank condition has not improved,

10. Provision Article 14 is amended as follow:

Article 14

1. In the even Deposit Insurance Company decide to not rescue the Bank referred in article 13, Bank Indonesia will revoke the license of Bank referred after being informed by Deposit Insurance Company.
2. Further settlement of the revoked Bank as referred to in paragraph (1) is executed by Deposit Insurance Company in accordance with applicable regulations.

Article II

This Bank Indonesia Regulation shall come to force on 10 October 2005

Enacted in Jakarta

Dated 10 October 2005

THE GOVERNOR OF BANK INDONESIA

BURHANUDDIN ABDULLAH

ELUCIDATION
TO
BANK INDONESIA REGULATION
NO. 7/38/PBI/2005
AMENDMENT ON
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ARTICLE BY ARTICLE

Article I

Number 1

Paragraph 1

Self explanatory.

Number 2

Self explanatory.

Number 3

Article 8A

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Number 4

Article 9

Paragraph (1)

This announcement is a transparency of Bank Indonesia policy as part of public accountability toward in executing the role of regulating and monitoring Bank that is executed by Bank Indonesia as mandated in Act Number 23 of 1999 concerning Bank Indonesia as have been amended by Act Number 3 of 2004.

Announcement is done in Bank Indonesia home page with URL <http://www.bi.go.id>

Letter a through letter d

Provision concerning Minimum Capital Adequacy Requirement is based on Bank Indonesia provision concerning the applicable Capital Adequacy Requirement.

Letter e

Self explanatory.

Paragraph (2)

Self explanatory.

Paragraph (3)

Announcement is done on Bank Indonesia home page with URL <http://www.bi.go.id>.

Provision concerning Minimum Capital Adequacy Requirement on Bank Indonesia is based on applicable provision concerning Minimum Capital Adequacy Requirement for Bank.

Number 5

Article 10

Systemic Impact is a scale or dimension of problem caused by

Bank that cause failure of several other bank therefor causing the loss of social trust on banking system and potentially causing crisis that jeopardize financial system.

Number 6

Article 11

Letter a and letter b

Self explanatory.

Letter c

“Emergency Financing Facility” is financing facility as referred to in Article 11 paragraph (4) and paragraph (5) Act Number 23 concerning Bank Indonesia as amended by Act Number 3 of 2004.

Maturity of Emergency Financing Facility includes extension of Emergency Financing Facility.

Number 7

Article 12

Unless stipulated otherwise, subsequent actions stipulated by Coordinating Committee does not remove Bank obligation to conduct action stipulated for Bank under special supervision as referred to in Article 5 paragraph (3) and paragraph (4), and Article 7 paragraph (1) and paragraph (2).

Number 8

Self explanatory.

Number 9

Article 13

Mechanism of announcement to Deposit Insurance Company and time limit on decision making by Deposit Insurance Company will be inserted to mutual agreement between Bank Indonesia with Deposit Insurance Company.

Number 10

Article 14

Paragraph (1)

Self explanatory.

Paragraph (2)

Settlement conducted by Deposit Insurance Company includes repayment of claim of deposit insurance and liquidation.

Article II

Self-explanatory.